

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 January 1961

PART I (continued)**EAST-WEST RELATIONS Page 7**

The USSR last week made further moves toward a formal bid for high-level talks with the new US administration. At a New Year's Eve reception, Khrushchev stated the USSR's willingness to drop UN consideration of the U-2 incident and emphasized his belief that the move would be "correctly understood" by the new President. Moscow may plan to follow up private hints and release the two RB-47 crew members to eliminate another obstacle to a high-level meeting. The flexibility and initiative displayed by East German and Soviet negotiators in trade talks with Bonn reflect Khrushchev's desire to avoid precipitating a Berlin crisis which might jeopardize a bid for new negotiations with the West. [REDACTED]

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FRANCE-ALGERIA Page 10

Threats of new disorders in Algeria accompany preparations for the 6-8 January referendum on De Gaulle's Algerian program, expected by the American Embassy to receive a 65-percent favorable vote in metropolitan France. After the referendum, De Gaulle will probably seek negotiations with the Provisional Algerian Government (PAG) on terms less rigid than in the past. Tunisian President Bourguiba, who has publicly endorsed De Gaulle's objectives, will probably urge the PAG to negotiate. Both the PAG and the European rightists, however, still seem determined to reject a middle-of-the-road solution. Furthermore, a recently reported deterioration in military morale may disrupt army unity and deprive De Gaulle of the army backing he is counting on. [REDACTED]

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PART II**NOTES AND COMMENTS****SOVIET PLAN AND BUDGET FOR 1961 Page 1**

The planned targets for the Soviet economy in 1961, presented to the Supreme Soviet on 20 December, bear out the official contention that the gross industrial Seven-Year Plan (1959-65) goal, as well as goals for most of the major industrial products, is likely to be achieved ahead of schedule. The announcement four days later that certain targets of the plan will be increased thus may presage no more than adjustments to the expected overfulfillments and those which have already taken place. During 1959 and 1960, gross industrial output reportedly increased by nearly 23 percent instead of the 17 percent originally scheduled. The state budget

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for 1961 indicates growth in all major budget categories except in the explicit defense allocation. [REDACTED]

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MOSCOW FIRES AGRICULTURE MINISTER Page 3

The dismissal of Vladimir Matskevich from his post as Soviet minister of agriculture on 29 December clears the way for reforms long advocated by some of the top political figures and agricultural specialists in the Soviet Union. His replacement by Mikhail Olshansky, an agronomist and plant breeder, suggests that the reforms will include greater emphasis on science and modern technology in agriculture. Olshansky's lack of executive experience may presage a cutback in the ministry's operational functions--perhaps including its de facto administration of the collective farm system. The central committee plenum on agriculture scheduled for 10 January presumably will approve the new program. [REDACTED]

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RUMANIAN ADMINISTRATIVE REORGANIZATION Page 4

The Rumanian administrative reform announced on 24 December apparently is intended to rationalize the country's economic structure and, at the same time, to further the regime's efforts to deal with the troublesome Hungarian minority. Regional boundary adjustments and other measures will increase the proportion of Rumanians in the Hungarians' "autonomous region" in central Rumania. Rumanian national sentiments are reflected in the restoration of traditional Rumanian place names to various provincial areas. The reorganization as a whole will eliminate considerable administrative overhead, and Bucharest officials anticipate substantial savings over the next few years. [REDACTED]

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FOOD SITUATION IN COMMUNIST CHINA Page 6

Communist China's first announcements concerning economic performance in 1960 stress the seriousness of the situation in agriculture. The "most serious natural calamities in a century" are said to have affected not only agricultural output but industrial output as well. Although Peiping is probably exaggerating the extent of damage to crops--the grain crop is expected to be about the same as in 1959--food shortages are severe, with no prospects of improvements through the winter. As a result, labor efficiency will suffer and popular disgruntlement will increase. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 January 1961****PART II (continued)****COMMUNIST CHINA SUPPLYING ALBANIA WITH GRAIN Page 7**

Albania, suffering the effects of three consecutive years of drought, is faced with a severe shortage of grain. Communist China, which also has a poor crop, was providing Albania with grain--purchased abroad--during 1960, presumably in "payment" for Albania's support in the Sino-Soviet dispute. [REDACTED]

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NEW BLOC AID FOR CAMBODIA Page 8

As a result of Prince Sihanouk's recent visits to Czechoslovakia, the USSR, and Communist China, these countries have agreed to extend substantial new economic aid to Cambodia. The new Chinese Communist commitments--totaling nearly \$40,000,000--will retain for Peiping its predominant role in bloc economic activities in Cambodia, but both Czechoslovakia and the USSR have joined the effort on a larger scale, with promises of credit--re-payable in Cambodian products--and considerable technical assistance. This is the first time Cambodia has accepted bloc credits; all previous bloc aid has been in the form of grants, including \$28,000,000 from Communist China and \$6,000,000 from the USSR. [REDACTED]

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MIDDLE EAST DEVELOPMENTS Page 9

The Arab states are moving toward a better coordinated anti-Western line on the issues of Algeria, the Congo, and the Israeli nuclear program. Cairo and Baghdad have taken the lead with lengthy criticisms of Western policies. The new Saudi Arabian budget is in line with King Saud's promise of an expanded program of economic development; the King is likely, however, to find ways to step up royal expenditures and thus precipitate a major dispute with influential "liberal" ministers. In Israel, the crisis in the governing Mapai party over the "Lavon affair" has caused Prime Minister Ben-Gurion to threaten to resign. [REDACTED]

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MALI Page 12

Mali has been aligning itself much more closely with Guinea and Ghana during the past month, suggesting that militant left-wing elements are gaining the ascendancy in Mali's single-party Marxist-influenced regime. Cabinet changes reflecting such a shift in the internal balance of power may be announced shortly. Mali's neutralism now may take on a more pro-Soviet flavor, and its susceptibility to bloc blandishments may increase. [REDACTED]

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PART II (continued)**TANGANYIKA Page 13**

Chief Minister Julius Nyerere of Tanganyika, although confronted with incompetence and disloyalty in his own party and with increasing sentiment favoring rapid "Africanization" of the government, appears preoccupied with visions of an East African federation and is making little effort to keep his followers in line. As a concession to rising African dissatisfaction with his government, he may be forced to yield to internal pressure and demand early independence from Britain, thereby giving up his hopes for territorial integration. [REDACTED]

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SOUTH KOREAN INTERNAL SECURITY SITUATION Page 14

The low level of South Korean police capabilities is reflected in the serious deterioration of public order. Fearing that opponents of the government will seek to exploit the situation to unseat the administration and that Communist espionage and subversion are increasing, the Chang Myon government is attempting to take remedial action. [REDACTED]

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BELGIAN STRIKE SITUATION Page 15

The opposition Socialists have maintained their widespread work stoppages for over two weeks, but have been unable to bring decisive pressure against the Eyskens government's austerity program because the powerful Roman Catholic trade unions have refused to join them in a general strike. Possible solutions reportedly under consideration are an early reorganization of the government or the calling of new national elections after the austerity program has been fully debated and approved by parliament. [REDACTED]

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COMMON MARKET DEVELOPMENTS Page 16

The tariff adjustments put into effect on 1 January by the European Common Market (EEC) have brought the six member countries considerably closer to the objective of a full customs and economic union. Intra-EEC tariff reductions made in the last two years now total 30 percent, and the first step toward the imposition of a single tariff against nonmembers has been taken--a year ahead of the schedule set forth in the EEC treaty. The EEC proposes to reduce the projected single tariff by 20 percent in forthcoming negotiations in GATT, but outsiders now will begin to feel its pinch, and the division between the Common Market and the Outer Seven seems more firmly drawn than ever. [REDACTED]

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PART II (continued)**SPAIN'S ECONOMIC SITUATION Page 17**

While there has recently been a modest revival in several sectors of the Spanish economy, the government's failure to remove bars to economic expansion is threatening the gains made under the US-backed economic stabilization program. Under present conditions, there is increasing doubt that adequate economic growth can be stimulated without renewed inflation. Increased emigration of skilled workers to other Western European countries has tended to reduce discontent over unemployment but may impede any further industrial expansion.

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PART III**PATTERNS AND PERSPECTIVES****BLOC ECONOMIC AND MILITARY SUPPORT FOR THE CASTRO REGIME . Page 1**

Bloc support for Cuba has mounted steadily since the Mikoyan visit last February. The new agreements concluded during Che Guevara's recent tour of the bloc indicate that Havana plans to depend almost entirely on the bloc as a source of supply and as a market for as much as two thirds of the island's sugar crop; future Cuban plans for industrialization and expansion rest almost solely on the procurement of large-scale material and technical assistance from the bloc. Moscow appears willing to make unusual efforts to accommodate Cuban needs, and planned trade and aid in 1961 should provide enough goods and services to sustain the Cuban economy.

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BRITAIN'S INFLUENCE ON EAST AND CENTRAL AFRICAN DEVELOPMENTS Page 5

Britain's difficulty in arranging an orderly transition toward early independence for its East and Central African territories will be seen again when the Federation of Rhodesia and Nyasaland constitutional conference resumes within a few weeks and at subsequent conferences for Tanganyika and Uganda. The British are relying increasingly on the demonstrated persuasive powers of certain government leaders, particularly Colonial Secretary Macleod.

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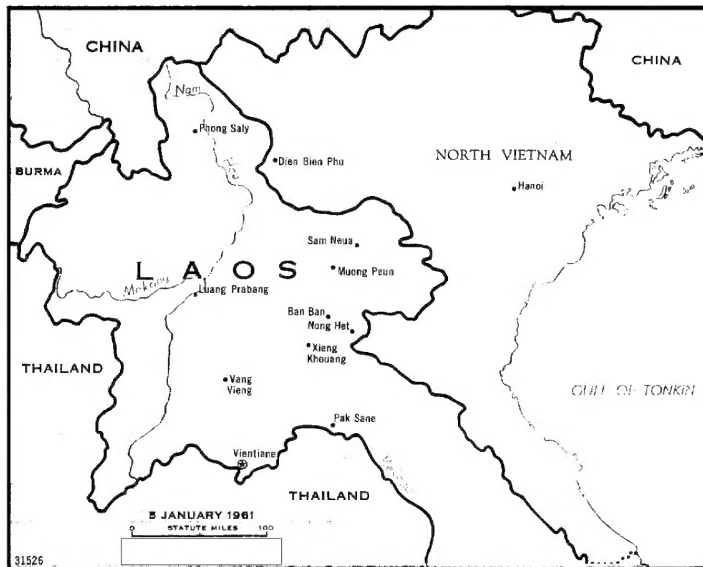
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PART I**OF IMMEDIATE INTEREST****LAOS**

The forces of the Communist Pathet Lao and Captain Kong Le scored significant military successes in Xieng Khouang Province with the capture on 1 January of the strategic Plaine des Jarres area, the nearby town of Xieng Khouang, and Nong Het on the Laotian - North Vietnamese frontier. Communist broadcasts attribute the capture of the

with which the Pathet Lao - Kong Le elements achieved their military objectives suggest that the operation was at least planned and directed by non-Laotian officers. There is a possibility, moreover, that North Vietnamese units helped the Second Pathet Lao Battalion take Nong Het, after which it would have been an easy matter for them to withdraw across the nearby frontier.



General Phoumi dropped 300 men of the First Parachute Battalion on a point a few miles outside of Xieng Khouang town on 1 January. The present status of this force is the subject of conflicting reports. The government claims it has reoccupied Xieng Khouang town, while the Communists assert that the paratroopers are surrounded some distance from the town. In any event, the paratroopers are

Plaine des Jarres to a joint Pathet Lao - Kong Le force and the capture of Nong Het to the Second Pathet Lao Battalion. The latter unit was once integrated into the Laotian Army but defected to the Laos - North Vietnam border area in May 1959.

The Laotian Government's claims that from five to seven North Vietnamese battalions were also involved in the fighting remain unsubstantiated; however, the speed and efficiency

isolated from other government troops in the province and will need substantial resupply and reinforcement if they are to reverse Communist military gains. Control of the Plaine des Jarres gives the Pathet Lao - Kong Le forces a major base area, with a good airfield, from which they are in a position to move against either Vientiane or Luang Prabang.

The situation in Phong Saly Province, a traditional Pathet

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Lao area of strength, is obscure. Communist broadcasts claimed the capture of Phong Saly town, but it was apparently occupied by Lt. Col. Khamouane, the nominal government commander in the province who, since the Kong Le coup last August, has tried to maintain a precarious neutrality between the contending factions. Although there have been reports that Khamouane has been in contact with the Pathet Lao, it is probably premature to assume that he has thrown in his lot with the Communists. There are even reports that he has asked General Phoumi for supply drops. Should Khamouane defect to the Communists it would be a major blow to the government, since he is reputed to be one of the best commanders in the army.

The Laotian Government's initial response to the reverses in Xieng Khouang was one of near panic; although a more balanced view of the situation has since been taken, there is a distinct possibility that if the situation continued to worsen, the government might appeal to SEATO or to the UN Security Council.

The National Assembly on 4 January gave the provisional Boun Oum government a unanimous vote of confidence, thus bringing the government's creation into full conformity with normal Laotian constitutional practices. This step should make it easier for Western and uncommitted states to deal with the Boun Oum government and will weaken bloc claims that the defunct

Souvanna Phouma government remains the "lawful government" of Laos. Souvanna was quoted in Phnom Penh to the effect that once the Boun Oum government was constitutionally established, he would immediately tender his formal resignation. He is in a bitter mood and subject to strong bloc pressures in Phnom Penh, however, and may choose not to follow through on his reported promise.

The bloc continues to charge the US with aggression in Laos and persists in its appeal for reactivation of the International Control Commission (ICC) and a new conference of the 1954 Geneva participants. However, while the bloc tries to exert diplomatic pressure on the US, it shows an inclination to hedge against immediate stabilization of the situation through international action so long as the Communists are moving successfully against government forces.

The bloc's appeal for the renewal of the ICC predicates conditions for its reactivation upon coordination with "the legal government of Souvanna Phouma." By insisting on this fiction of a legal Laotian Government represented in the person of Souvanna, the bloc probably feels it will gain time for further Communist military gains before the issue is negotiated in international forums.

The Communists also see the Laotian crisis as an opportunity

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to put strain on the Western alliance. A recent Pravda article attacked US policy toward Laos for "pushing its military bloc allies toward open aggression against the people of Laos." The article alluded to dissension within SEATO ranks over the proper course of action to be taken in Laos and claimed that Washington was irritated "over the cautious attitude of Britain and France."

Despite Laotian Army reports of North Vietnamese troops in Laos, no regular North Vietnamese Army units have been identified operating against the Phoumi forces. It seems quite probable, however, that a number of North Vietnamese technicians, heavy weapons crews, cadres, and possibly combat leaders are assisting Pathet Lao forces.

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CUBAN AND CENTRAL AMERICAN DEVELOPMENTS

The Castro regime has responded defiantly to the 3 January break in diplomatic and consular relations by the United States, calling this a new "imperialist" move preparatory to "aggression." It may also formally demand US withdrawal from the Guantanamo naval base.

Initial Soviet reaction to the break in relations was to label the move "a new step toward aggression." Early Chinese Communist reaction was harsher and lengthier.

The news was treated as a flash item by Latin American media, but early comment took no predominant line and many officials were reluctant to make statements. A leading Brazilian newspaper called the US-Cuban rupture the worst crisis in Pan American history and urged other Latin American governments to seek a solution and not merely to follow the US example, since this would make

them "satellites." In Peru, which broke relations with Cuba on 30 December, a leading paper headlined: "Number one power in the world follows Peru's example."

Venezuela and Honduras, which had been considering breaking with Castro, may now hesitate to follow the US action too closely for fear of being labeled by their domestic opposition as "lackeys" of the United States. The Chilean foreign minister told the press on 4 January that he saw no reason for Chile to break with Cuba under present circumstances. On the other hand, there are indications that Panama may shortly declare the Cuban ambassador there persona non grata, and pressure has been mounting in Colombia for a diplomatic break with Cuba.

In Mexico--where sympathy for Latin American revolutionary movements runs deep, stemming from Mexico's own experiences--the foreign minister told the

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US Embassy that he feels the situation has reached the point where it would be difficult to influence Cuba "back into the inter-American family." He said it is primarily a problem for the Cuban people to solve, but they will need "a little bit of outside help" which must be in a form, however, that would not "lower the prestige of any nation."

In the Mexican foreign minister's opinion, the only way the Organization of American States (OAS) can act on the Cuban problem is by using the 1954 anti-Communist Caracas resolution, but Mexico will have to abstain if this resolution is invoked, inasmuch as it is the only Latin American country that has not endorsed it. The American Embassy sees this conversation as an indication that Mexico may "convey a benevolent nod for someone else to terminate the Cuban headache while Mexico goes on abstaining."

Meanwhile, Latin American Communists and front groups are urging increased popular support in their countries for Castro. The Uruguayan Communist party issued an "ardent appeal" on 3 January urging the Uruguayans to "rise up in defense of the Cuban people." According to the Cuban press service, Argentine university students publicly warned on 3 January that "a second front will open up in the streets" if aggression is perpetrated against Cuba.

Castro's 2 January anniversary parade in Havana, in

which some bloc weapons were displayed, revealed that at least 15 JS-2 heavy tanks, 15 T-34 medium tanks, and 19 self-propelled assault guns, various artillery, and other weapons are now in the hands of the Cuban Army. Soviet jeeps and truck-mounted rocket launchers--possibly six-tube 280-mm.--also were observed.

The armored fighting vehicles and some of the artillery are World War II models no longer in use by the Soviet armed forces. With the exception of 60 JS-3 tanks delivered to Egypt in 1955, Soviet heavy tanks have not been supplied to any other nonbloc country. However, since 1958, Soviet arms deliveries outside the bloc--particularly to the UAR and Iraq--have included T-54 medium tanks and more modern artillery and heavy weapons.

Premier Khrushchev, along with other high Soviet officials, attended the 2 January reception at the Cuban Embassy in Moscow and made a speech sharply critical of US policy, labeling as "foul slander" reports that the Soviet Union had set up rocket bases in Cuba. Despite the belligerent tone of his remarks, however, Khrushchev continued to be vague in pledging Soviet support and promised only that "the Cuban people can always count on the support and aid of the Soviet people." This speech follows the familiar Soviet pattern of making harsh pronouncements concerning Cuba immediately prior to UN consideration of Cuban complaints against the United States.

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The many foreign delegates in Havana for the 2 January celebrations, which may have totaled more than a thousand, included representatives from the USSR, Communist China, East Germany, and Czechoslovakia, as well as sizable groups from Latin American countries and the United States. Most, if not all, of the transportation costs for these delegations were paid by the Cuban Government. The Chinese Communist delegation, headed by Peiping's leading "peace" spokesman Kuo Mo-jo, was particularly prominent at the celebrations.

provisional government may be responsible for the apparent government decision to reduce US economic and military assistance programs. On 24 December, one US-supported project was closed and another may shortly be shut down. The minister of defense told a group of US officials on 28 December that his government intends to replace US advisers to the National Police with Chileans or Italians or both, and added that all US assistance programs have been "void of beneficial results for El Salvador."

These statements completely reverse expressions of support for US assistance programs made by the minister earlier in December and apparently reflect a high-level policy decision by the government.

Meanwhile, Communists continue their efforts to extend their influence outside the government. The increasing Communist activity appears to stem from confidence resulting from the confusion and rivalries among anti-Communists, both military and civilian.

In El Salvador, the growing influence of pro-Communists and pro-Castro elements in the

CONGO

Successful incursions into Kivu Province by Gizenga dissidents based in Orientale Province have damaged the prestige

of the Mobutu interim government and underscore the threat of full-scale civil war.

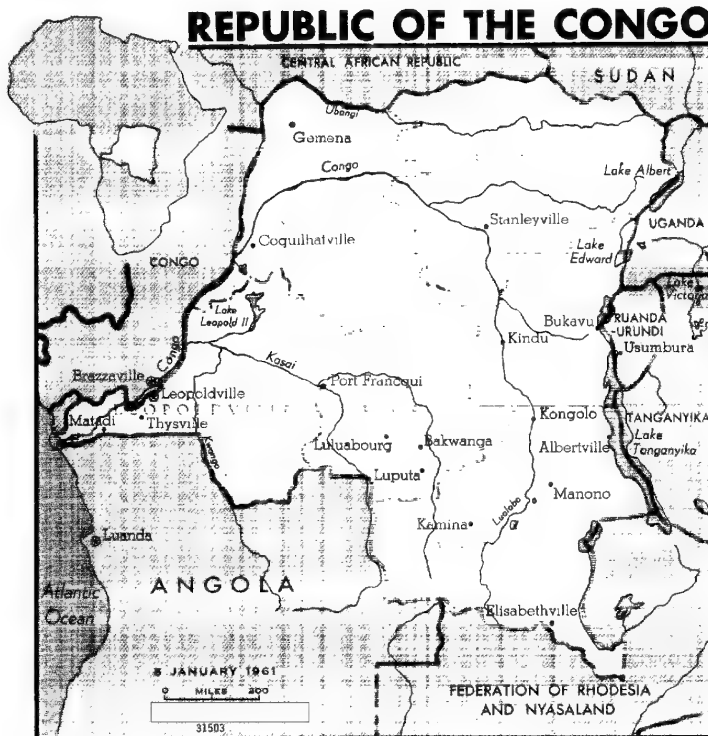
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The original movement into Kivu by Gizenga's militiamen, on 25 December, may have been prompted by a serious food shortage in Stanleyville. The success of the "invasion"--accomplished by only a few hundred soldiers--appears to have stemmed less from the show of military force than from general confusion and divided

gains in Kivu was climaxed on 1 January when a Congolese Army contingent--air-lifted to Kivu by way of Ruanda-Urundi--was repulsed with casualties at Bukavu. Mobutu's force advanced under a white flag in hopes of winning over the dissidents; its defeat presumably ended whatever expectation Mobutu had of rallying the dissidents by psychological action.



Although Mobutu has given no indication as to his next move, the setback at Bukavu may increase pressure from the army for military action against Stanleyville. At the same time, the rebuff may have rekindled doubts within the army concerning Mobutu's capacity to defeat the dissidents.

Pro-Gizenga African states, meeting in Casablanca to discuss the Congo and Algeria, appear un-

loyalties. President Kasavubu has hinted that in some parts of the interior the dissidents may be regarded by the populace as representing the Leopoldville government.

An unsuccessful attempt by Mobutu to check dissident

decided as to how, and to what extent, to aid the dissidents. The conferees--who include representatives of Ghana, Guinea, Mali, and the UAR--will probably endorse the Gizenga regime as the legal Congolese government; they may also agree on a program of covert aid.

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In Leopoldville, the arrival of Secretary General Hammaraskjold and the UN conciliation commission, is likely to signal a new effort to restore civil government in the Congo. President Kasavubu on 2 January called for a round-table conference of Congo political leaders on 25 January. In an apparent move to forestall any UN move to reconvene parliament, where pro-Lumumba sentiment is still significant, Kasavubu characterized parliament as not representative of the whole country.

Although Mobutu will probably not oppose a round-table conference, there are no indications that he agrees with Kasavubu's aim of displacing the student commissioners with the Kasavubu-appointed cabinet headed by Joseph Ileo. The disparate interests of various Congo leaders, together with their inability to control the areas and groups in whose names they speak, make it doubtful that the round table will lead to a political solution.

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EAST-WEST RELATIONS

Khrushchev last week continued the USSR's efforts on several fronts to set the stage for a formal demarche to the new US administration for high-level talks. At a New Year's Eve reception at the Kremlin he said the USSR was willing to drop the UN debate on the U-2 incident, making it clear that this was intended as a gesture toward the new US administration. Recalling remarks by the President-elect on the U-2 incident, Khrushchev said, "We would like this unfortunate incident to become a thing of the past-- and we think that one need not return to it." He added, "We would like to believe that our striving to improve relations will be correctly understood by both the American people and the new President."

The main purpose of Khrushchev's remarks probably was to end any speculation that a US apology for the U-2 remained

a prerequisite for new negotiations. Although he avoided any specific reference to the RB-47 incident, which is combined with the U-2 in the Soviet UN complaint, other Soviet officials have hinted that the two crew members of the RB-47 might be released. The Soviet leaders are probably aware that continued exploitation of these affairs could prevent a new top-level meeting, and Soviet action in clearing away obstacles of this kind suggests that an early bid for a summit conference or a personal contact with the new President will be forthcoming.

Soviet propaganda, such as the TASS statement on the French nuclear test, and high-level comments, such as Khrushchev's speech on 2 January at the Cuban Embassy reception, have continued to express a harsh criticism of specific aspects of Western policies. Soviet New Year's greetings to Western

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leaders, however, were cordial and correct, avoided any polemics or recriminations, and stressed the prospects for settling international issues--disarmament and the German question--during 1961. In his speech at the Cuban Embassy, Khrushchev appears to have gone out of his way to identify his attacks on the US with "the present government of the US."

Bloc - West German Trade Talks

The flexibility and initiative displayed by the Communist representatives in the negotiations renewing Soviet and East German trade agreements with Bonn reflect Khrushchev's desire to avoid precipitating a crisis which might jeopardize his design for high-level talks with the West. The compromise formulas offered by the East Germans and the Soviet initiative in breaking the impasse over the status of West Berlin further suggest that Khrushchev is seeking to establish a conciliatory atmosphere on the key issues of Berlin before making a formal demarche for a new summit meeting.

Although the bloc negotiators took positions which permit both sides to save face, the results of the two sets of talks do not alter the basic Communist position on Berlin. A further important factor was the Communist interest in ensuring continued deliveries of important industrial products to East Germany.

Interzonal Trade Talks

After almost four weeks of negotiations, the East and West German representatives agreed on 29 December to reinstate the interzonal trade

agreement. A compromise was reached on the main issue, an East German decree of 8 September restricting West German travel into East Berlin, which had led Bonn to cancel the trade agreement. The East Germans apparently made some type of commitment not to implement the decree but refused to rescind the law as Bonn originally demanded. Existing East German controls over commercial access to West Berlin will be eased, and certain points concerning access will be discussed further. In return, the West Germans will lift their ban on participation in the important annual East German industrial fair at Leipzig this spring.

During the negotiations the East Germans--apparently on Moscow's orders--made no serious effort to extract a measure of diplomatic recognition and refrained from challenging the authority of the West German representative to negotiate for West Berlin. East German propaganda glossed over this issue by claiming that the negotiations dealt only with reinstatement of the existing agreement, which specifically combines West Germany and West Berlin as one currency unit.

The West Germans feel that East Germany acceded to all of Bonn's demands, but the East Germans were apparently successful in insisting that their concessions would remain in effect only if the strictest secrecy were maintained, thus providing a pretext for denunciation of the agreement if Soviet tactics should dictate such a move. Bonn probably made it clear that any new harassments would result in further retaliation against interzonal trade. Thus the situation remains uneasy.

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The secrecy provisions place East Germany in a position to claim that it scored gains without having to make important concessions. In his New Year's speech Ulbricht said, "Trade with East Germany is to develop further...but in such a way that production in the German Democratic Republic does not fall into a state of dependency."

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Neues Deutsch-
land, in its 31 December comment on the reinstatement of the agreement, reiterated the standard East German positions on Berlin and Germany--notably that East Germany "sits on the long end of the lever."

Soviet - West German Talks

The status of West Berlin was also the crux of the earlier deadlock in the Soviet - West German trade agreement, signed on 31 December, which calls for a 7-percent annual increase in total trade during the next three years. The impasse developed over Bonn's insistence that West Berlin be treated in the agreement as part of West Germany. No mention was made of West Berlin in the 1958 agreement, but the USSR had in practice allowed goods from West Berlin to be included as West German goods, and never formally objected to the arrangement.

The same practical result was achieved in the new pact

through the mechanism of a letter from Bonn's Foreign Ministry to Soviet Ambassador Smirnov stating that Bonn assumed that "the area of applicability" of the new agreement would remain unchanged. The new language was worked out, apparently on Smirnov's initiative, at a meeting last week with Chancellor Adenauer. Smirnov had originally rejected a more precise formula which provided that the agreement would be valid for the currency area of the West German mark, thereby explicitly treating West Berlin and West Germany as a political unit.

In both agreements the West Germans were successful in preserving the status quo pending the outcome of high-level East-West talks. The harassments imposed by the East Germans last fall have been suspended, and Bonn succeeded in maintaining the crucial link between the West Berlin and West German economies.

The settlement of the two trade problems has been accompanied by a softer propaganda line on Germany. The European press is quoting Soviet spokesmen, who have revived speculation of a meeting between Adenauer and Khrushchev. Khrushchev's New Year's greetings to Adenauer urged that "every effort" be made to solve the German problem in the new year. East German party chief Ulbricht has been 25X1
gun to press his proposal for a ten-year "truce of God" between East and West Germany.

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FRANCE-ALGERIA

Following the 6-8 January referendum on his Algerian program--which the American Embassy in Paris has estimated would produce a favorable vote of about 65 percent in metropolitan France--De Gaulle will probably seek negotiations with the Provisional Algerian Government (PAG) on terms less rigid than in the past. Tunisian President Bourguiba, who has publicly endorsed De Gaulle's referendum objectives, will probably urge the PAG to negotiate. Both the PAG and the European rightists, however, still seem determined to reject any middle-of-the-road solution. Furthermore, a recently reported deterioration in military morale may disrupt army unity and deprive De Gaulle of the army backing he is counting on.

Although in his 31 December speech De Gaulle implied that if he did not get a "frank and massive" vote he would resign, he seems likely to use a favorable vote of any size as a mandate to make a new offer of negotiations. On 20 December he singled out the leaders of the rebellion as "notably" among those who would decide the conditions of self-determination.

Bourguiba's public endorsement of De Gaulle's referendum objectives reportedly has annoyed some members of the rebel government, especially Deputy Premier and Foreign Minister Belkacem Krim. A favorable vote for De Gaulle's plan will strengthen Bourguiba's hand in dealing with the rebels, and in view of his conviction that the continuation of the Algerian war represents a threat not only

to his regime but to all North Africa, he can be expected to urge the PAG to negotiate.

The French African states which in November sent representatives to both De Gaulle and the PAG in an effort to mediate in the Algerian impasse apparently plan no further concerted efforts to this end, but each reportedly intends to continue at every occasion to press the French to resume negotiations, feeling that it is now up to De Gaulle to take the first step. They are prepared, however, to use their influence to encourage the rebels to accept any French overtures. 25X1

The European rightist elements in Algeria have denounced the referendum as illegal and reiterated their opposition to any middle-of-the-road solution.

The likelihood of further violent demonstrations, especially in the major cities of Algeria, remains high. Paris has reinforced its already large security forces in Algeria by moving army and marine units from Europe and sending 15 ships of the Mediterranean Fleet to Algerian bases. 25X1

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[REDACTED]

Military opposition to his policy is likely to stiffen if De Gaulle attempts a new initiative on the basis of a slim over-all referendum majority or a negative result in Algeria. Extensive Moslem abstention, as ordered by PAG Premier Ferhat Abbas or further major pro-rebel demonstrations in Algeria would probably be interpreted by many French officers as evidence of the failure of De Gaulle's policy.

Recent public statements critical of De Gaulle's policy by leading French military figures including Marshal Alphonse Juin and General Jean Valluy, the former commander of NATO forces in Central Europe, are reportedly having repercussions among officers in Algeria.

The Juin statement has also been vehemently seconded in a "letter to the French people" signed by 16 army reserve generals--including former Chief of Staff Auguste Guillaume--who previously held commands in North Africa.

On the other hand, some French officers are now reported to feel Algeria is lost to France and the West, and they are adopting attitudes of bitter resignation or indifference. If such sentiment spreads it may reduce the likelihood of overt military opposition to De Gaulle's policies in the immediate future, but it would probably have serious repercussions on the army's efficiency in the post-referendum period, when he will have to rely on it to control both settler and Moslem extremists.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 January 1961****PART II****NOTES AND COMMENTS****SOVIET PLAN AND BUDGET FOR 1961**

The planned targets for the Soviet economy in 1961 presented to the Supreme Soviet on 20 December by Gosplan Chief V. N. Novikov bear out the official contention that the gross industrial Seven-Year Plan (1959-1965) goal, as well as goals for most of the major industrial products, is likely to be achieved ahead of schedule. The announcement four days later that certain targets of the plan will be increased thus may presage no more than adjustments to the expected over-fulfillments and those which have already taken place.

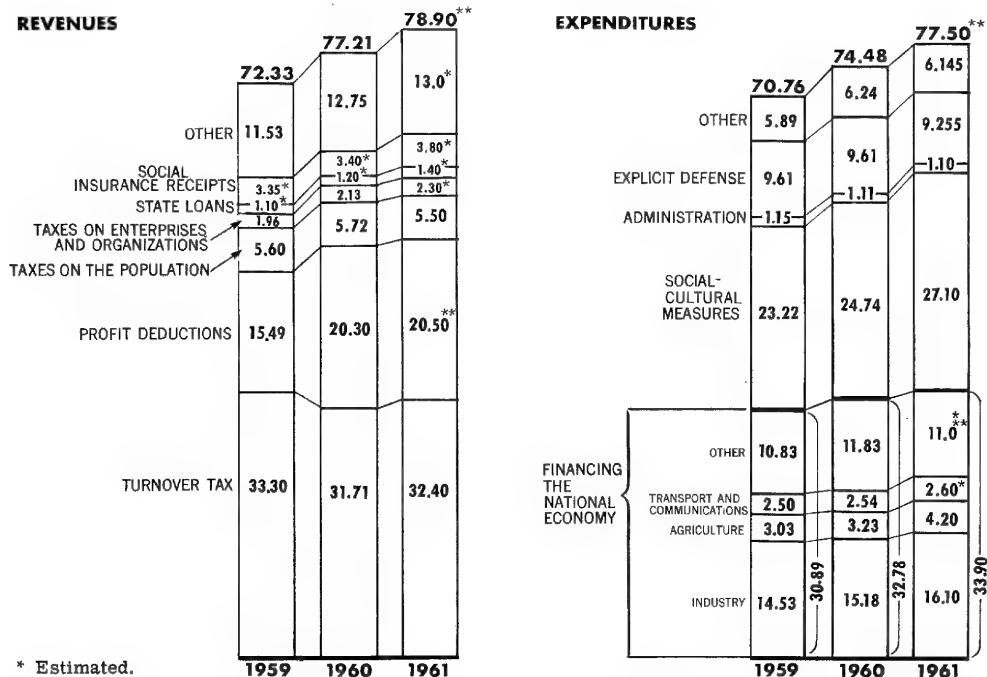
During 1959 and 1960, gross industrial output reportedly increased by nearly 23 percent instead of the 17 percent originally scheduled.

The 24 December announcement also revealed that Soviet planners are still attempting to revamp the planning system so that, by dovetailing current with future annual plans, future adjustments will become increasingly automatic.

The state budget for 1961, read before the Supreme Soviet by Finance Minister V. F.

USSR : PLANNED BUDGET REVENUES AND EXPENDITURES

(BILLION NEW RUBLES)



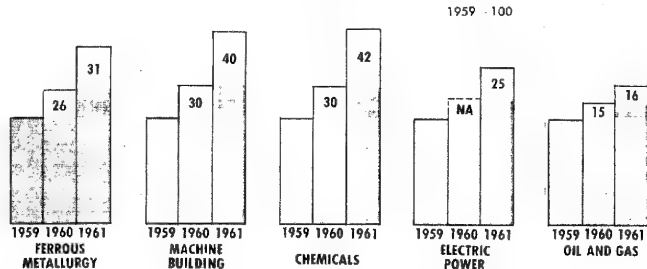
* Estimated.

** In the new budget, planned losses of individual enterprises are apparently being deducted from gross reported profits instead of being charged to expenditures, as in previous years.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 January 1961**USSR: PLANNED ANNUAL INCREASES IN CAPITAL INVESTMENTS
(PERCENT)

ments in 1959 and 1960 averaged nearly 11 percent.

The 1961 investment allocations to ferrous metallurgy and machine building are above those needed to fulfill the Seven-Year Plan investment goals. Scheduled investments in the construction and building materials

industries for 1961 are also above the original Seven-Year Plan figures, presumably in reaction to Khrushchev's May 1960 criticisms of lags in the development of the construction base. Electric power investment plans have been underfulfilled for the first two years of the plan; the projected rate for 1961 is, however, just about equal to the average annual rate necessary to fulfill 1959-65 investment plans.

The rates of investment in the chemicals and oil and gas industries are--as in 1959 and 1960--considerably lower than the annual rates necessary to fulfill the Seven-Year Plan investment goals. Thus the equipment problems of the chemicals industry and the shortcomings in the refinery and pipeline construction programs probably have not been solved.

The most interesting announcement with respect to capital investments is the planned increase of 54 percent over 1960 in investments in the light and food industries. Probably one half of the announced increase is "fictional" in the sense that it will probably result from a "bookkeeping" operation--the transfer of investments from the cooperative sector to the state account. Nevertheless, the "corrected" investments allocated to these consumer industries do

Garbuzov, indicates growth in all major budget categories except in the explicit defense allocation. Planned revenues are 78.9 billions and planned expenditures 77.5 billions (new rubles), increases of 4.9 percent and 6.7 percent respectively over comparable figures for 1960. The drop in the explicit defense allocation from 9.61 in 1960 to 9.26 billion rubles in 1961 is reasonably consistent with what was expected as a result of the announced military manpower reduction. Other defense expenditures, however, such as those for research and development, the atomic energy program, and possibly sizable amounts for military hardware are concealed in other budget categories.

Explicit expenditures for scientific research increased by 16 percent, continuing the rapid rate of annual increase which began in 1955. In six years, expenditures for scientific research institutions have increased from slightly above 2 percent of total budget expenditures to almost 5 percent of planned expenditures.

In the plan for 1961, gross industrial production is scheduled to increase 8.8 percent. Although this is only slightly higher than the 8.6 percent contemplated in the Seven-Year Plan, the real increase is substantial since actual achieve-

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indicate a change in the plan, one specifically attributed to Khrushchev.

The picture for the consumer is not as rosy with respect to housing. Novikov stated that 96.2 million square meters of housing are planned for 1961--4 million square meters more than were built in 1960. This indicates that the 1960 housing plan of 101 million square meters was underfulfilled by 8-9 million square

meters. The lag is believed to have been almost exclusively in the private housing program, probably as a result of the abolition of state loans for private housing. The cessation of the loan program will also bring about a sharp curtailment of private construction in 1961 and will lessen the otherwise good chance for a substantial overfulfillment of the Seven-Year Plan housing goal.

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(Prepared by ORR;
concurred in by OSI)

MOSCOW FIRES AGRICULTURE MINISTER

The dismissal of Valdimir Matskevich from his post as Soviet minister of agriculture on 29 December clears the way for reforms long advocated by some of the top political figures and agricultural specialists in the Soviet Union but resisted by Matskevich. He has been made to shoulder blame for the second successive poor year in agricultural production. The central committee plenum on agriculture--which was to have been held in December and now is scheduled for 10 January--presumably will approve the main lines the reforms are intended to take.

istry. Renewed efforts to bring about organizational changes have recently been noted, and the Ministry of Agriculture and Matskevich have been criticized for poor administrative work.

Matskevich has also been criticized for failing to institute agronomical practices advocated by Trofim Lysenko, controversial Soviet geneticist and agricultural specialist. Lysenko fell into disfavor after Stalin's death but since 1956 has been hailed as one of the Soviet Union's leading agronomists. Khrushchev has supported a number of his

Matskevich, 57, minister of agriculture since 1955, successfully opposed proposals for forming new agencies for agricultural administration championed by party presidium members Polyansky and Podgorny at the central committee plenum in December 1959. Their proposals would have had the effect of sharply reducing the administrative responsibilities of Matskevich's min-



MATSKEVICH



OLSHANSKY

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proposals, but Matskevich apparently was not convinced of their value.

The selection of veteran academic specialist Mikhail Olshansky, 53, to replace Matskevich suggests radical changes. Olshansky lacks the practical administrative experience presumably required to handle the ministry as currently organized. A reorganization to relieve the ministry of some of its managerial responsibilities--perhaps including its de facto administration of the collective farm system--and to create new agencies to handle them would appear to be contemplated.

Olshansky, who has a background as an agronomist and plant breeder, has long been an ardent advocate of Lysenko's biological theories--rejected by Western scientists as scientifically unfounded--as well as Lysenko's proposals in the field of agronomy--some of which are acceptable by Western standards. The new direction in Soviet agriculture is certain to include greater emphasis on science and modern technology, and Lysenko's views on soil management and field-crop production will receive greater application than heretofore. In view of Khrushchev's insistence on practi-

cal results, however, Lysenko's biological theories are unlikely to be pushed.

Olshansky, like Matskevich, is a product of the Ukraine and its party organization. He was born in the village of Sarny and studied at the All-Union Scientific Research Selection-Genetics Institute in Odessa. He stayed on to work at the institute and eventually became its director. Since 1951 he has been a vice president of the All-Union Agricultural Academy in Moscow. He joined the Communist party in 1932 and was active in party work in the Ukraine during the period Khrushchev was Ukrainian party chief.

Matskevich has been given a relatively minor assignment as head of the government in the new Tselina (Virgin Soil) Kray in northern Kazakhstan where his work, as far as agriculture is concerned, will be under the supervision of another former agricultural minister, A. I. Kozlov, fired by Khrushchev in 1955, also for poor management. Kozlov made a limited comeback a year ago and was made Kazakh Republic minister in charge of agriculture in the northern part of the republic.

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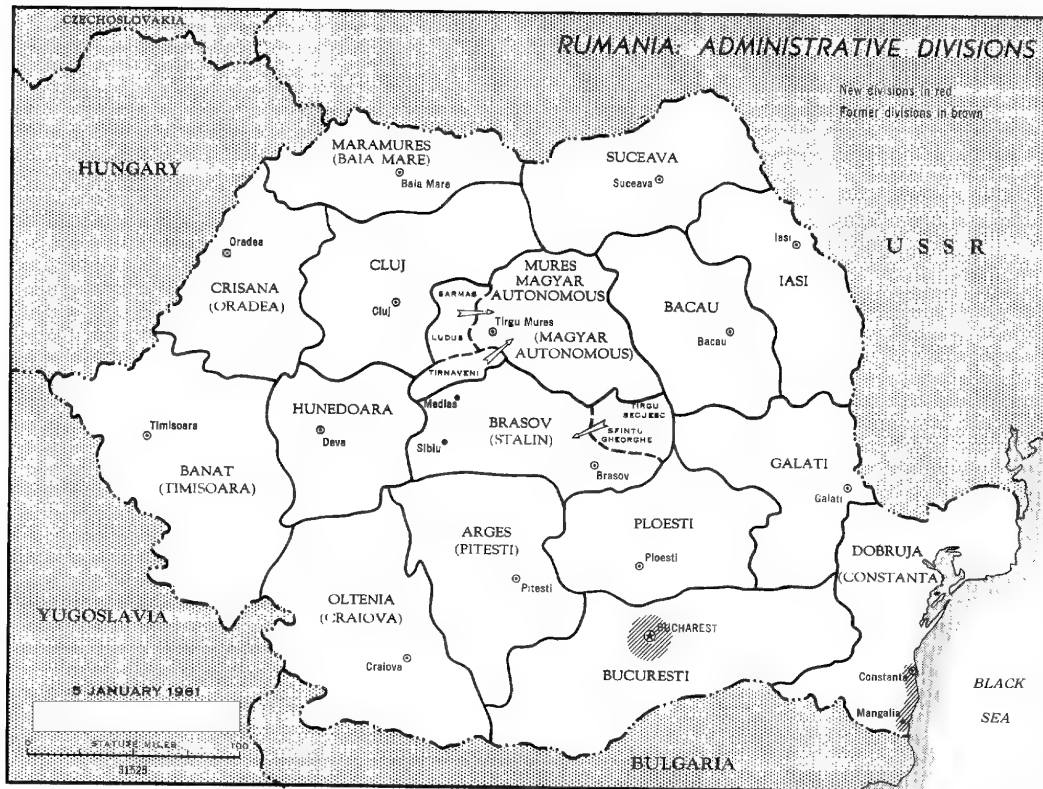
RUMANIAN ADMINISTRATIVE REORGANIZATION

The Rumanian administrative reform, announced on 24 December as a prelude to quadrennial parliamentary elections early in 1961, provides the country with a more effective economic organization and at the same time will have significant political effects. The ethnic character of the former Magyar Autonomous Region--renamed Mures Magyar Autonomous Region--has been changed as a result of the

loss of two predominantly Hungarian districts. Rumanian politburo member Nicolae Ceausescu has estimated that the reform will result in a substantial savings to the regime during the next few years, primarily through the reduction of administrative overhead.

As its last official act, the incumbent National Assembly

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amended the 1952 constitution, including Article 19--which guaranteed the ethnic "compactness" of the Hungarian region--and abrogated minor laws to provide for 16 constituent regions.

In addition to Mures, several other regions have had their traditional Rumanian names restored--an act which, in a small way, will appeal to the nationalistic sentiment of the local population. The regions are to be subdivided into 146 raions, or 43 less than at present, a move which will link economically marginal areas with relatively sounder adjacent ones. Bucharest, the capital, and Constanta, whose limits have been extended to include its Black Sea port of Mangalia and a coastal strip approximately ten miles wide, are to be federal units with

the political prerogatives of a region.

The Mures Magyar Autonomous Region will incorporate the economically important Sarmas, Ludus, and Tirnaveni raions from the adjacent Cluj and Brasov regions, but will cede the predominantly Hungarian-speaking districts of Sfintu Gheorghe and Tirgu Sacuesc to Brasov. While Mures will have a net gain of 45,000 inhabitants, the shifts will result in a significant drop in the percentage of ethnic Hungarians in the region. At the same time the region will gain 74,000 acres of agricultural land and will obtain an increased industrial capacity.

Sarmas has sizable methane gas deposits; Ludus is the site of a modern sugar refinery; and Tirnaveni boasts Rumania's largest chemical plant. The

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regional capital, Tirgu Mures, close to the former regional boundaries, now has a "hinterland"; while the former districts of Sfintu Gheorghe and Tirgu Sacuesc, located far distant from Tirgu Mures, are fairly close to their new administrative center of Brasov city.

These measures are another step toward minimizing the ethnic singularity of the Hungarian region. Last year the Hungarian university at Cluj was merged with the Rumanian university. The regime apparently has sought to avoid adverse reaction by providing Mures with added economic resources. [redacted] (Con- 25X1
curred in by ORR)

FOOD SITUATION IN COMMUNIST CHINA

Communist China's first announcements concerning economic performance in 1960 stress the seriousness of the situation in agriculture. The "most serious natural calamities in a century" are said to have affected not only agricultural output but industrial output as well. Neither agriculture nor light industry, which depends on agriculture for raw materials, will reach planned goals this year, according to Peiping. More than half of China's farmland is said to have been affected by the calamities, and crop losses on more than one third of this area were described as "serious."

Peiping's statements during most of the 1960 growing season indicated that various calamities were lowering harvest prospects, but it appears that Peiping is exaggerating their effects. Weather data and soil moisture estimates show that much of China was affected by drought this year, particularly the major wheat areas in the north, and the coastal areas, especially in the northeast, were battered by typhoons. Rainfall in the important central and southern rice areas was not significantly less than in 1959, however, and in some cases was greater.

On the whole, it seems most unlikely that weather damage

this year was great enough to account for the poor harvest Peiping is apparently preparing to announce. The regime is probably seeking to absolve itself from blame for the serious food situation and laying the groundwork for the publication of reasonably realistic agricultural statistics--a practice not engaged in since the advent of the "leap forward" in 1958.

The grain crop for 1960 is believed to approximate the 190,000,000 tons estimated for 1959, mainly because an increase in sown acreage probably offset the slightly more serious weather damage in 1960. The food situation has worsened, nevertheless; this is the second year without 25X1 an increase in grain output, while there now are 30,000,000 more people to feed. [redacted]

People's Daily on 30 Novem- 25X1
ber called for an accurate tally of the harvest and of grain stocks so that "reasonable" provision could be made for the food needs of the country. There are no prospects for a lessening of the food shortages before the early harvest next summer.

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The Reuters correspondent in Peiping reports that usually reliable sources have noted an increasing number of cases of absenteeism among workers because of nutritional ailments.

For several months the regime has been taking steps to conserve the harvest as it became available and to prepare the people psychologically for another hungry winter. The US Consulate General in Hong Kong reports that Peiping is conducting a quiet campaign against the flow of peasants into cities, including stricter surveillance of passenger traffic, house-to-house checks for illegal resi-

dents, and the requirement that restaurant patrons have ration coupons. Moreover, the great majority of rural residents--and for the first time a large proportion of urban residents--now must eat in mess halls, where consumption can be more effectively controlled.

Peiping has recently purchased sizable amounts of wheat and rice from abroad--350,000 tons of rice from Burma and 324,000 tons of wheat from Australia--and there are indications it is in the market for wheat from Canada and corn from Argentina. These imports are presumably for re-export to meet trade commitments, but will nevertheless ease the strain on domestic sources.

Continued food shortages will further affect labor efficiency, aggravate disgruntlement over past shortages, and further undermine the confidence of the people in the regime.

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(Prepared by ORR)

COMMUNIST CHINA SUPPLYING ALBANIA WITH GRAIN

Albania, suffering the effects of three consecutive years of drought, is faced with a severe shortage of grain in the 1960-61 consumption year, which began 1 July 1960. The 1960 grain harvest in Albania was the smallest since 1952 and probably did not exceed 240,000 metric tons--less than half of the amount planned. Communist China, also suffering from a poor crop, was providing Albania with grain during 1960. Grain is a staple item in the Albanian diet, and food consumption levels--already the lowest in Europe--could not be maintained at the 1959-60 level

without importing 165,000 metric tons of grain.

Khrushchev visited Albania in the spring of 1959 and--since Albania is ill suited topographically for planting large areas of grain--urged greater emphasis on fruits and grapes. He intimated that Albania's cereal needs would be met by the USSR and other European satellites. Importation of grain from the USSR in 1959 was less than in 1958, however.

China purchased grain in France and Australia for delivery to Albania in 1960, and contracted with Australia for an additional

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40,000 metric tons to be delivered to Albania during the first quarter of 1961.

China's concern for the welfare of the Albanians, particularly at a time when the Chinese people are on short rations, is probably a form of "payment" for Albania's support of China in the Sino-Soviet dispute.

There have been indications since the Moscow conference of world Communist leaders that the USSR and the European satellites are increasing political forms of pressure on recalcitrant Albania.

(Prepared by ORR)

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NEW BLOC AID FOR CAMBODIA

As a result of Prince Sihanouk's recent trip to the bloc, Czechoslovakia, the USSR, and Communist China have agreed to extend to Cambodia substantial new economic aid. The new Chinese Communist commitments--totaling nearly \$40,000,000--will retain for Peiping its predominant role in bloc economic activities in Cambodia, but both Czechoslovakia and the USSR have joined the effort on a larger scale--no specific amounts were announced--with promises of credit repayable in Cambodian products and considerable technical assistance.

This is the first time Cambodia has accepted bloc credits; all previous bloc aid has been in the form of grants, including \$28,000,000 from Communist China and \$6,000,000 from the USSR.

Khrushchev personally offered Sihanouk a gift of a technological institute, which Cambodia had requested earlier from the United States. The Soviet Union also responded favorably to Sihanouk's request for aid in the construction of two hydroelectric projects and for technical assistance in surveying Cambodian mineral resources. These two undertakings apparently were accepted in principle, and formal contracts

will be drawn up and announced later. Moscow's only previous aid to Cambodia was a grant for a hospital which was begun last August. While work on this project apparently proceeded smoothly, Moscow has shown little interest in becoming too deeply involved with such programs in Cambodia.

Czechoslovakia agreed to provide long-term credits to be used to construct a sugar refinery, a tire factory, and a tractor assembly plant. The first two projects have been under discussion since at least last summer. Provision was also made for the establishment of a joint Czech-Cambodian shipping firm which, along with a similar Chinese-Cambodian firm, will train Cambodian personnel in merchant marine matters and supervise the small volume of shipping between Cambodian and bloc ports.

On his return from Communist China, Sihanouk revealed that Peiping was prepared to expand its efforts in behalf of Cambodia greatly, with large new economic aid and promises of extensive technical assistance. A new grant of \$11,400,000 is to be provided to complete and expand the four factories the Chinese are building under an earlier agreement, and an

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additional \$25,700,000 is to be used for construction of several new factories, including a small steel mill and a plant to produce tools. The Chinese will also provide technical assistance to reorganize Cambodian producer cooperatives, improve agricultural methods, and introduce new crops. Chinese technicians are to survey part of the proposed Phnom Penh - Sihanouk-

ville railroad and eventually to construct at least part of it.

Although both Czechoslovakia and Communist China have offered to provide Cambodia with military equipment--a point frequently noted by Sihanouk, apparently no agreement for military aid was concluded. [REDACTED] 25X1
(Prepared by ORR)

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MIDDLE EAST HIGHLIGHTS

The Arab states are moving toward a united front on the recent developments in the Congo, Algeria, and Israel. Cairo and Baghdad have taken the lead with lengthy criticisms of Western policies, and a similar but less vehement reaction has been evident in other Arab capitals.

UAR President Nasir, [REDACTED]

[REDACTED] expressed again the strong anti-Western feeling of his Port Said speech on 23 December. Nasir again remarked that he might have to abandon "positive neutrality" because of his conflict with Western policies, a move also suggested by the UAR deputy foreign minister in a talk with the American ambassador.

[REDACTED] Nasir claimed to have information proving the US and UK had aided France in equipping the Israeli military and developing Israel's reported atomic potential. Nasir added that the USSR had agreed to furnish the UAR with more arms, including MIG-19 aircraft, and hinted that he could get along without Western economic aid.

Baghdad's foreign policy line also is emphasizing that

Western actions on Israel and Africa may push the Arabs into alignment with the Communist bloc. Iraqi Foreign Minister Jawad, considered relatively pro-Western, has recently made unprecedented public attacks on the United States. Prime Minister Qasim has attacked France and "other imperialist states," while the Iraqi press and radio have called on the Arabs to start an immediate political and economic boycott of France. Cairo's Al Ahram stated in a recent article that during the forthcoming Arab League meeting Jawad would announce Iraq's intention to nationalize France's 23.75-percent share of the Iraq Petroleum Company.

Saudi Arabian press coverage on Israel has been generally in line with the UAR position, and the Sudanese Government on 31 December recalled its ambassador from France, following the third French nuclear test in the Sahara. Jordan's Prime Minister Talhuni has talked of a moratorium on intra-Arab disputes in order to pull together Arab opposition to the "new Israeli threat." Several Lebanese politicians and newspapers are declaring that the Arabs too must acquire an atomic potential.

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The Arab League foreign ministers' conference scheduled for this month is expected to discuss the African and Israeli issues and is likely to display an unusual measure of agreement on an anti-Western line.

Saudi Arabia

The 1961 budget announced by King Saud's new government last week appears to differ little, if at all, from a draft prepared by Crown Prince Faysal before he resigned as prime minister. The pattern of planned expenditures is, nevertheless, consistent with the King's promise to improve the economy through government financing of more development projects. The budget is balanced, with both revenues and expenditures set 9 percent higher than last year. Scheduled outlays for development projects--including the construction of mosques--have been increased by some 40 percent.

Defense expenditures have been reduced by 6 percent, while the allocation for debt retirement is very close to that of the last year. Expenditures for the royal family are set at the same amount as in 1960, but now represent 14 instead of 15 percent of total budgetary outlays. Thus, aside from the increased emphasis on economic development, this budget is not a significant departure from those in effect during Faysal's administration.

Yemen-UK

On 23 December, Imam Ahmad ordered the British diplomatic mission in Taiz to leave Yemen within 48 hours and recalled his chargé from London. The Imam's impetuous action stemmed from his conviction that the British were countenancing, if not supporting, the terrorist activities of exiled, anti-monarchical Yemenis operating from Aden Colony and Protectorate. A recent series of bomb explosions in various Yemeni towns precipitated the Imam's decision.

Since 23 December, however, the Imam has indefinitely extended the time limit for the departure of the British mission, and the UK has taken steps to reassure the Yemeni Government of its good intentions. The Imam has been informed that, if the ultimatum is withdrawn, one of the exiles will be expelled from the colony immediately. In addition, the UK has suggested that the Imam send a representative to Aden to talk to the others about returning to Yemen under a promise of safe conduct.

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The Imam's response to the British gesture of cooperation is not yet known, but he is unlikely to be mollified by anything short of firm assurances that the UK will take strong measures to control the activities of the exiles, which he apparently considers a real threat to his rule.

Israel

The challenge to Ben-Gurion's authority as prime minister and as leader of the Mapai party arising out of the "Lavon affair" has reached a decisive stage. The prime minister, infuriated by his cabinet's recent exoneration of former Defense Minister Pinhas Lavon from responsibility for an abortive intelligence operation in 1954, reportedly has threatened to resign unless the cabinet agrees to order a judicial investigation of Lavon's entire tenure in office. The issue, however, is in the hands of the Mapai party secretariat, whose attempts to resolve the crisis will also determine whether the cabinet will take any further action. Mapai's eight cabinet members split on the 25 December vote which cleared Lavon, a fellow member of Mapai; four voted in favor of exoneration, while Ben-Gurion and three others abstained.

Ben-Gurion probably has enough support within Mapai to maintain his leadership of the party and thus to lead any reorganized government, but the bitterness which has developed as a result of the controversy will remain a threat to the party's unity and strength. The issue of Lavon's responsibility for the 1954 operation--which involved the planting of bombs in USIS libraries, pre-

sumably with the aim of aggravating US-Egyptian relations, and ended in the execution by Egypt of Israeli agents charged with espionage--is symptomatic of the basic differences over party policies that exist between older Zionist leaders of the party, like Lavon, and the rising younger leaders whom Ben-Gurion supports.

The controversy over the intelligence operation reopened last fall, when evidence which had implicated Lavon in 1954 and led to his resignation as defense minister was revealed to have been falsified. Since then Lavon has made sweeping criticisms of the army and has specifically attacked his former subordinate, Deputy Defense Minister Shimon Peres, whom he apparently believes was responsible for the falsified evidence. These charges, moreover, constituted a challenge to Ben-Gurion, the virtual creator of the army and political sponsor of Peres. Ben-Gurion reacted vigorously, defending the army and claiming that Lavon, by his actions during his tenure as defense minister, had demoralized the military establishment.

Lavon may have overplayed his hand. He already has received the first censure Mapai has ever given a leading member because of his recent attacks on the government's economic planning policies. The former defense minister thereby may not only have weakened his support within the party's councils but may also have jeopardized his position as secretary general of the General Federation of Labor (Histadrut), in which Mapai has dominant influence.

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MALI

Evidence that Mali has aligned itself much more closely with Guinea and Ghana during the past month suggests that militant left-wing elements are gaining the ascendancy in Mali's single-party, Marxist-influenced regime. Such a shift in the internal balance of power may soon be reflected in ministerial changes allotting more posts in the cabinet of President Modibo Keita, a relative moderate, to followers of Minister of Interior and Defense Madeira Keita, an extremist.

between the two states following the breakup in August of the former federation between Mali and Senegal. In October, Mali asked Touré to postpone his proposed state visit until January, then pointedly agreed to a similar visit by Ghana's Nkrumah last November.

Before long, however, the appeal--especially to Madeira Keita's faction--of Guinea's authoritarian approach to basic political and economic problems and the two states' common reaction to such issues as Algeria and the Congo induced a rapprochement. The first overt indication of this was the hastily arranged frontier meeting between top Malian and Guinean leaders in early December



Although Mali and Guinea shared a common French colonial heritage under which basically like-minded African political movements came to power in each state, a distinct coolness developed between them for a time last fall. Modibo Keita became annoyed with Guinean President Sekou Touré over a number of incidents which, to Modibo and his supporters, suggested that Touré expected to play a dominant role in a close partnership

Later, Modibo, for the first time, openly acknowledged in private talks with US officials that Mali considered it had more in common with Guinea than with the other French-speaking African

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 January 1961****MALI**

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states and that the two would henceforth cooperate especially closely. At the same time, he seemed to go out of his way to emphasize that Mali did not look to the pro-Western Ivory Coast for political cooperation, despite his own former close ties with Ivory Coast leader Houphouet-Boigny. Shortly thereafter Modibo went to Conakry, where he conferred with Touré and Nkrumah on ways of fostering political and economic coordination among the three states and affirmed Mali's adherence to the paper "union" proclaimed by Guinea and Ghana in 1958.

Mali's generally more leftward orientation--on 31 December it announced establishment of diplomatic relations with Castro's Cuba--and the prospect that Guinean influence will increase in Bamako suggest that the regime's neutralism may soon take on a pro-Soviet cast like that of Conakry. A greater susceptibility to Sino-Soviet bloc blandishments in the economic negotiations which have already begun between Mali and various bloc countries presumably would accompany such an evolution. Internally, Bamako now may tend to adopt more rigid and comprehensive economic controls similar to those already in effect in Guinea.

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TANGANYIKA

Chief Minister Julius Nyerere of Tanganyika, who is widely regarded as the ablest native leader in British East Africa, faces increasingly difficult problems as he attempts to maintain his government's



NYERERE

moderate, nonracial policy. He is confronted not only with incompetence and disloyalty in his own party but also with growing opposition demands for rapid "Africanization" of the government and civil service.

Nyerere's Tanganyika African National Union (TANU), the only important political party in the territory, draws its support from all racial groups, and Nyerere acceded to the chief ministership last September on a platform advocating equal treatment for all residents regardless of race. Recently, however, Africans have begun to criticize the slow rate of African advancement. The opposition African National Congress (ANC), which has never been a political power, appears to be adding gradually to its strength by pushing the racial issue--a development which could presage the end of Tanganyika's vaunted racial harmony.

TANU itself appears too poorly disciplined to counteract the ANC's growing popularity. Some of Nyerere's lieutenants have lost interest in both government and politics following their accession to ministerial positions. Many ministers have shown a penchant for extensive trips abroad, with resulting dislocation in both party and

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governmental machinery. In addition, some important TANU figures, including secretary general Oscar Kambona, reportedly no longer support the chief minister's policies.

Nyerere's prestige is still high enough to enable him to restore discipline in both his party and his government. So far, however, his plans for an East African federation--including Tanganyika, Kenya, Uganda, and possibly Zanzibar and Nyasaland--have taken precedence

over day-to-day politics. In order to bring his lieutenants to heel, he probably will be forced to devote more attention to immediate questions and forego his long-range project.

Moreover, in view of the rising African dissatisfaction with his government, he may be forced to yield to widespread internal pressure and demand early independence from Britain, thereby giving up his hopes for rapid territorial integration.

SOUTH KOREAN INTERNAL SECURITY SITUATION

The low level of South Korean police capabilities, as reflected in the serious deterioration of public order, is becoming a matter of grave concern to the Chang Myon government. Following the recent sacking of the offices of Tong-A Ilbo, one of South Korea's most influential newspapers, by a mob of some 2,000 religious fanatics, President Yun Po-son publicly termed the administration's efforts to restore public order "ineffective and feeble."

The police, discredited by their repressive activities on behalf of the former Rhee regime, have failed to gain the support of the public. A major target of the revolutionaries, the service became almost totally inactive following the April uprising, and many of its personnel went into hiding. Successive purges and reorganizations have shattered discipline and stripped the service of qualified senior officers. Graft and other corrupt police practices are reappearing.

Concurrently, many elements of the population have come to regard demonstrations as the best method of seeking redress for their complaints. A long-standing dispute between the students and the administration

of Yonsei University, a missionary-supported institution, led to the sacking on 16 November of the residences of two American university officials. The Supreme Court building was invaded on 24 November by some 500 rioting celibate Buddhist monks who were protesting a ruling favoring their married rivals. There also has been a large increase in major crimes and a sharp decrease in the number of criminals apprehended. Murder and manslaughter cases have more than doubled in the past year.

The government, fearing that its opponents will seek to exploit public unrest to unseat the administration and that Communist subversion and infiltration of North Korean agents are increasing, is attempting to take remedial action. New personnel are being trained, and the cabinet has approved the establishment of a 2,000-man mobile police task force to cope with serious outbreaks of violence. Six of the student demonstrators who broke into the national legislature last October have been given stiff prison sentences as examples. Legislation designed to remove the police from politics is under consideration.

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BELGIAN STRIKE SITUATION

Belgium's opposition Socialists apparently have met with little success in their efforts to start a general strike which would bring decisive pressure against the Eyskens government's austerity program. While they have managed to bring to a standstill much of the industry and municipal services of the French-speaking Walloon areas of the south, they are receiving little support from the dominant Social Christian (Catholic) unions. The strength of these unions is concentrated among the Flemish-speaking workers of northern Belgium.

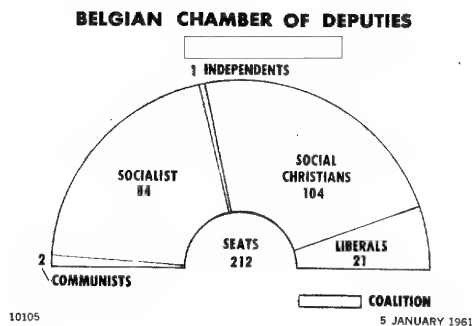
The Catholic unions have reiterated their support of the government's controversial austerity program, the omnibus bill, and as long as Prime Minister Eyskens' Social Christian - Liberal government has their support it is not likely to back down on this issue. Eyskens, however, has made some conciliatory gestures toward the strikers by agreeing to return the bill with amendments to committee following the chamber debate this week. The Socialists continue to insist that the bill be withdrawn, but a motion along these lines was decisively defeated in the chamber on 3 January.

Both sides are looking to King Baudouin to seek a compromise solution which they believe would have the effect of reuniting the country and counteracting the divisive influences on the Flemish and Walloon sectors of the Socialist-controlled labor federation. The Socialist leaders are probably

seeking an early solution to the dispute, since there is a danger that the strike action might be taken over by extremist elements as it becomes more bitter and prolonged.

Intensive negotiations are reported to be in progress with a view to finding a formula for ending the crisis. Possible solutions reportedly being considered are an early reorganization of the government and the calling of new national elections after the austerity program has been fully debated and approved by parliament.

A legacy of the strike is likely to be increased bitterness and tension between the Flemish- and French-speaking areas; this could develop into a breach



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which would be difficult to heal. Prominent Socialist labor leaders from Walloon areas are already speaking of the necessity of a "fundamental modification" of Belgium's political and economic structure, presumed to mean nationalizing basic industries and reorganizing the state as a Flemish-Walloon federation.

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COMMON MARKET DEVELOPMENTS

Unusual economic and political significance is attached to the tariff adjustments put into effect by the European Common Market (EEC) on 1 January. In accordance with the "acceleration program" adopted last May and reconfirmed in late December, the six member countries have lowered their tariffs against each other by a total of 30 percent in two years. Moreover, they have taken the first step toward instituting an eventual single tariff toward nonmembers--generally an upward adjustment in the case of West Germany and the Benelux countries, downward in the case of France and Italy.

These tariff changes seem likely to have a considerable impact both on intra-community trade and on the EEC's trading relations with the rest of the world. Previous tariff reductions--10 percent each on 1 January 1959 and 1 July 1960--were partially extended to other countries on a most-favored-nation basis and are not believed to have been a significant factor in the notable increase in intra-EEC trade in the last two years. Now, however, there will be real tariff advantages to trading within the community, and nonmembers for the first time will begin to feel the pinch of the progressive movement toward a common external tariff.

In implementing these measures before they were scheduled by the EEC treaty, the community has once more demonstrated its vitality and cohesion. The initial agreement on acceleration was a major compromise between the high- and low-tariff members. Low-tariff members and the EEC commission insisted that any move toward instituting the common external tariff be linked

with an offer to negotiate in GATT a 20-percent reduction in the projected external rates. Thus, while some Common Market tariffs against outsiders are being raised sooner than expected, their impact will be less-damaging because of the compromise.

The acceleration program seems also to have had a somewhat beneficial impact on farm policies in the community, although these benefits will probably not soon be felt outside. Since last May, growing protectionism among farm interests, notably in West Germany, has become an increasingly serious threat to acceleration, which the Dutch had insisted must also apply to trade in farm products. Apparently as a result of a last-minute intervention by Chancellor Adenauer, a compromise was worked out which will permit some increase in intra-EEC trade in farm items, and the Dutch are now more optimistic that a common agricultural policy may gradually be achieved.

Externally, the 1 January measures probably lessen chances for the amalgamation of the Common Market and the European Free Trade Association (Outer Seven). The Outer Seven hope to keep abreast of the tariff reductions in the Common Market, but they are now behind and may find it increasingly difficult to keep up. Intra-EEC tariff cuts are expected to total 40-50 percent by the end of 1961.

Moreover, in beginning to impose the common external tariff, the Common Market has reaffirmed the intention of creating a full customs union. Its reluctance to abandon this basic principle has been one of the major bars to the^{25X1} creation of a loose free-trade area between the Six and the Seven.

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SPAIN'S ECONOMIC SITUATION

Despite the recent modest revival in several sectors of the Spanish economy, the government's failure to remove bars to economic expansion is threatening the gains made under the US-backed economic stabilization program begun in July 1959. International Monetary Fund officials who visited Spain in November expressed doubt that, under present conditions, adequate economic growth can be stimulated without renewed inflation.

The stabilization program, which Franco praised in his year-end address broadcast on 29 December, quickly halted inflation, stabilized the currency, and built up Spain's gold and foreign-exchange reserves. However, the program has failed to achieve the necessary expansion of the economy. Some industries have shown a fair improvement in recent months--particularly electric power, cement, and textiles--but the continuing decline in railroad freight traffic--now down to 60 percent of the October 1958 figure--reflects business uncertainty and the relatively low level of demand.

The regime appears neither capable nor desirous of formulating a bold policy to remove restrictions on economic activity, to furnish incentives for industrial expansion, and to encourage competition. Indus-

try's greatest need is probably capital investment, yet potential private investors are deterred by internal controls on both investment and imports. In addition, there is strong pressure on the government to channel foreign capital seeking investment into the modernization of existing plants and to prevent its use for building competing plants.

During the past year, reduced earnings of industrial workers as a result of layoffs and cuts in overtime pay have had a depressing effect on demand. This situation will be aggravated by sharp cuts in rural purchasing power if predictions of a poor wheat crop for 1960-61 are borne out. While the sizable increase in emigration of Spanish workers to other Western European countries in recent months provides a safety valve for discontent over unemployment, the large proportion of skilled workers among the emigrants may impede economic expansion in the event more energetic measures toward liberalization of the economy are initiated.

The placid tone of Franco's year-end address regarding domestic matters suggests that discontent among opposition groups and labor is not likely to disturb the political scene in the next few months.

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PART III**PATTERNS AND PERSPECTIVES****BLOC ECONOMIC AND MILITARY SUPPORT FOR THE CASTRO REGIME**

Since Soviet Deputy Premier Mikoyan's visit to Cuba in February 1960, virtually all bloc countries have followed Moscow's lead in concluding bilateral economic agreements with the Cuban Government. Prior to 1960, bloc economic contacts with Cuba were limited chiefly to Soviet sugar imports and a few Czech sales to Cuba; throughout 1960, however, bloc support has mounted steadily. At present, the maintenance and expansion of trade and aid contacts with the Sino-Soviet bloc is of critical importance for the survival of the Castro regime.

Cuba continues to import foodstuffs and vital machinery and spare parts from nonbloc countries, but the new agreements concluded during Cuban National Bank President Guevara's recent trip through the bloc clearly indicate that Havana is planning to depend almost entirely on the bloc as a source of supply and as a market for as much as two thirds of its sugar crop. Bloc assistance now is an essential feature of the Cuban economy, and future plans for industrialization and expansion rest almost solely on the procurement of large-scale bloc material and technical assistance.

Trade between Cuba and the bloc has passed from the sugar-for-oil stage, reached last summer with Havana's seizure of the Western-owned refineries and the USSR's rapid moves to supply all Cuban petroleum needs. Bloc shipments now regularly include foodstuffs, motor vehicles, machinery, and other goods formerly purchased almost exclusively in the United States. The amounts still do not equal former imports from

the United States, but planned trade and aid in 1961 should provide enough goods and services to sustain the Cuban economy against any further US and other free-world countermeasures.

Shortages of spare parts for industrial machinery and equipment in Cuba were becoming severe even before the US embargo, and Cuba has been making frantic efforts to buy these items in Canada, Japan, and Western European countries. In the long run, however, both Cuba and the bloc hope to solve these problems by re-equipping the island with bloc goods and by constructing new factories to produce goods in Cuba. Moscow appears willing to make unusual efforts to accommodate Cuban needs on a long-range basis.

The Bloc and Cuban Sugar

The principal feature of trade between the bloc and Cuba is the bloc's apparent willingness to take unusually large amounts of sugar in return for political advantages accruing to it from the Cuban situation. In 1960 bloc countries pledged to import nearly 2,500,000 tons of Cuban sugar--about 45 percent of Cuban exports and about six times more than the bloc's average annual purchases from Cuba in the past.

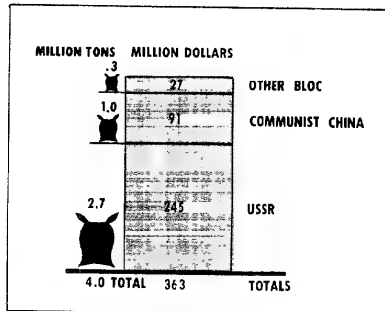
As a result of Guevara's recent tour, the bloc has agreed to take a total of 4,000,000 tons of sugar in 1961 and to pay four cents a pound for the entire amount--about 20 percent more than the present world market price but still well below the premium US price of nearly six cents. Of the total--worth \$363,000,000--the Soviet Union under its

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PROJECTED BLOC PURCHASES OF
CUBAN SUGAR, 1961

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long-term trade agreement has signed a contract to import 1,000,000 tons in 1961 and has pledged to take 1,700,000 tons more if the United States refuses to buy Cuban sugar next year. The proposed additional tonnage is to be reduced by any amount the United States is willing to buy.

Communist China boosted the amount of sugar it was scheduled to take in 1961 from 500,000 to 1,000,000 tons--also at four cents a pound. The European satellites, being sugar exporters themselves, probably are reluctant to accept more than token amounts of sugar but, collectively, will buy about 300,000 tons, plus a variety of other products such as tobacco, minerals, and metals.

The bloc's 1960 sugar purchases from Cuba, valued at about \$150,000,000, are to be paid for chiefly in goods. While these terms severely limit the amount of foreign exchange earned by Cuba, shipments of petroleum and other goods which once required cash payments now are received from the bloc under barter agreements. How critical the problem of foreign exchange will become for Havana hinges largely on how much it needs to purchase from countries outside the bloc. It is unlikely that the bloc will agree to

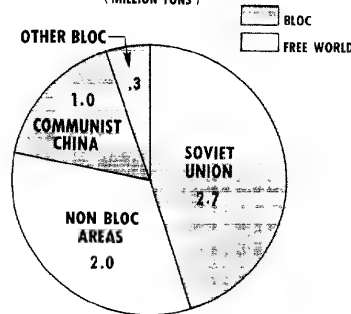
pay cash for more than a small part of its imports from Cuba, as the barter terms provide a convenient method for introducing and expanding bloc influence throughout the island.

The bloc's large-scale entry into the world sugar market has raised the issue of bloc re-exports of Cuban sugar to third countries in competition with other sugar exporters. Although press reports of re-sales to third countries at less than the purchase price have been noted for some time, there is no evidence that the bloc is "dumping" Cuban sugar. On the contrary, the Soviet-Cuban agreement specifically provides for triangular transactions when the third party is not a traditional customer for Cuban sugar.

Furthermore, many bloc countries are regular sugar exporters, but their sales are confined chiefly to refined sugar, whereas Cuban exports are usually the raw product. Because of its present relatively low per capita consumption of sugar, the bloc is capable of absorbing easily all the sugar for which it has contracted.

Bloc Shipments to Cuba

When Cuba confiscated the three Western-owned oil refineries

PROJECTED CUBAN SUGAR SALES, 1961
(MILLION TONS)

BASED ON ESTIMATED SALES OF 6,000,000 TONS

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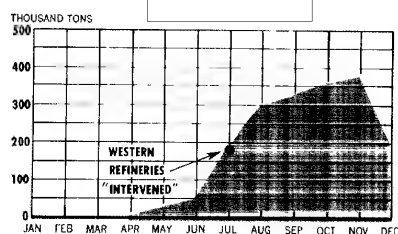
CURRENT INTELLIGENCE WEEKLY SUMMARY

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last July, the USSR immediately stepped in to supply all of Havana's petroleum requirements. By August, Soviet shipments had reached more than 300,000 tons a month--the amount considered sufficient to satisfy the minimum Cuban demand. Shipments totaled about 1,700,000 tons by the end of November, and for a short time Cuba was forced to request a slowdown of deliveries because the amounts were surpassing its refinery capacity, which has been reduced by the corrosive effects of Soviet crude oil. This problem may be eased, as the USSR recently began shipping a better grade of crude.

The entire POL operation entailed a considerable readjustment in Soviet tanker

SOVIET PETROLEUM SHIPMENTS TO CUBA, 1960



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operations and was made possible largely by chartering Western vessels. A new contract signed recently in Havana calls for 1961 deliveries from the USSR of 4,400,000 tons of petroleum and petroleum products.

Petroleum, however, makes up only part of total deliveries. Since the summer of 1960, bloc shipments to Cuba have steadily grown in number and variety. Besides large amounts of military equipment and supplies, Soviet wheat, fertilizers, metals, chemicals, and machinery have begun arriving in quantity. Czechoslovakia, the most active of the satellites in trade with Cuba, is supplying a large number of buses, trucks, automobiles,

and even a variety of consumer goods.

Communist China, despite the problems of distance and severe domestic food shortages, has delivered most of the 100,000 tons of rice promised for 1960 and is picking up large quantities of sugar.

While there has been some delay in getting bloc shipments under way, it is now clear that the bloc has every intention of fulfilling its agreements with Cuba and is proving its ability to do so.

Even if the agreements with the bloc are carried out, however, Cuba must maintain certain economic ties with the free world in order to acquire essential goods not readily available from the bloc. Bloc shipments of foodstuffs, for instance, have been and probably will continue to be limited. In order to make up for the drastic cut-back in deliveries from the United States, Cuba is turning not only to the bloc but also to other Western countries. With few exceptions most of these countries appear unwilling to undertake economic sanctions against the Castro regime. The dwindling of Cuba's foreign exchange reserves, however, keeps this trade relatively small.

The bloc as a whole probably will account for at least 60 percent of total Cuban trade in 1961, and Cuba could become the chief nonbloc trading partner of the Soviet Union.

Bloc Credits

Four bloc countries have extended long-term development credits to Cuba totaling \$208,000,000: the USSR, \$100,000,000; Communist China, \$60,000,000; Czechoslovakia, \$40,000,000; and Hungary, \$8,000,000. Several other bloc countries have promised to deliver goods on credit, particularly Poland and East Germany.

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Although no bloc development projects are officially under way, extensive surveys have been made by bloc technicians, and some construction should begin early in 1961. Most of the promised "complete factory projects" are small-

some 24 factories in Cuba, including textile, chemical, and paper mills, and to provide for technical assistance in the agricultural field, notably rice-growing.

Bloc technical assistance already is being provided on a relatively large scale and will be stepped up as the aid program progresses. Reports of the number of bloc technicians present in Cuba are usually greatly exaggerated, but several hundred have been in Cuba in recent months to aid in general economic surveys, help run confiscated plants, lay plans for new industries, and supervise economic planning.

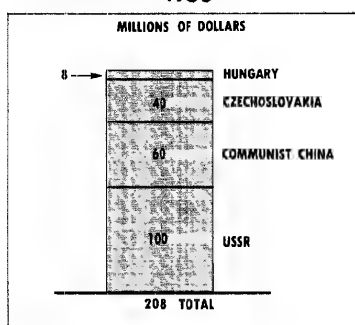
Bloc Military Support

Soon after the summit collapse in May 1960, Cuban authorities entered into military negotiations with both the Soviet Union and Czechoslovakia. Czech-Cuban talks in Havana during May and June were immediately followed by a trip to Prague and Moscow by Raul Castro, Cuba's minister of armed forces. Agreements probably were concluded during these negotiations for the delivery of bloc arms.

During the summer of 1960--probably in early July--at least one shipment of Czech small arms and ammunition was delivered to Cuba. Shortly thereafter, the first large group of Cuban military personnel was sent to Czechoslovakia to receive military training, including flight and artillery instruction. Further military talks during July and August probably were concerned with detailed arrangements for the delivery of Soviet bloc arms, accompanied by military technicians to provide the necessary training.

Not until September 1960, however, did major bloc shipments get under way. Between 8 September and 18 October, four Soviet vessels delivered

**BLOC CREDIT TO CUBA
1960**



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scale undertakings to produce tools, household appliances, clothing, and other goods which have always been imported by Cuba.

More than 150 separate projects are to be undertaken by the bloc over the next five years, ranging from a nail factory to a steel mill. Next year, Soviet technicians are scheduled to begin oil exploration throughout Cuba and to begin work on several installations connected with the iron and steel industry. Czechoslovakia's major undertaking is a project designed to rehabilitate the Cuban motor vehicle industry between now and 1965--first shipping vehicle parts to be assembled in Cuba and later establishing factories to produce the parts themselves there. This project is to use the facilities of a former General Motors plant confiscated by the Castro government.

Communist China's \$60,000,000 credit--the largest Peiping has yet offered to a nonbloc country--is to be used to construct

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at least 10,000 tons of materiel to Cuba. Other vessels have delivered partial military cargoes. These shipments consisted of a complete range of land armaments, including tanks, assault guns, field and antiaircraft artillery, military vehicles, radar and communications equipment, and large quantities of infantry weapons and ammunition. In addition, helicopters and trainer aircraft have been delivered.

Despite persistent reports of their presence, Cuba appar-

ently has not received bloc jet aircraft.

After a two-month pause, the bloc has resumed large-scale shipment of arms. Two Soviet vessels have arrived in Cuban ports with arms cargoes since 20 December, and further deliveries are expected. Fragmentary information indicates that more tanks, assault guns, and small arms were included in at least one of the recent deliveries. (Prepared by ORR)

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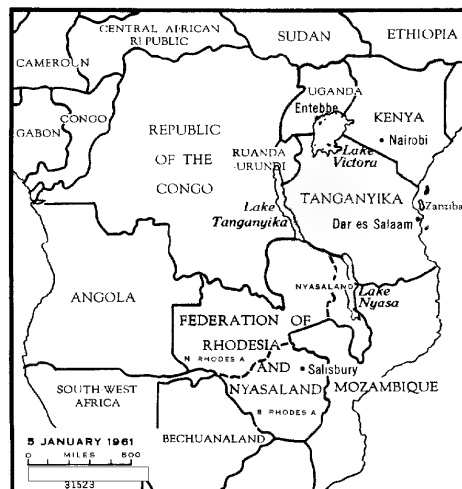
BRITAIN'S INFLUENCE ON EAST AND CENTRAL AFRICAN DEVELOPMENTS

Because of the growing strength of African nationalism and the stand of world public opinion against the continuation of colonialism by force, London frequently feels unable to use the authority it retains over its East and Central African territories. The difficulty of arranging an orderly transition toward early independence will be seen again when the constitutional conference for the Federation of Rhodesia and Nyasaland resumes within a few weeks after an extended Christmas recess. Similar conferences for Tanganyika and Uganda are scheduled for later in 1961.

"Britain's enlightened decolonization policy"--as one African nationalist has termed it--aims at ensuring political and economic stability to prepare its colonies for independence. The policy involves measures to prevent complete domination of important minority groups by the majority and to retard the growing threat of subversive Sino-Soviet influence. African policy is

receiving special attention this year because of Prime Minister Macmillan's personal interest in adapting to what he described as the "winds of change" of African nationalism.

By exercising restraint, Britain hopes to be able, when independence comes, to retain air-staging rights in African territories and a military and



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air base in Kenya and to protect British trade and investment in Africa.

Remaining Powers

London retains constitutional control of major government functions in all its African territories except Southern Rhodesia, which has been self-governing for 37 years. Britain could in theory revoke present constitutions and resume unrestricted control, but this power is limited in actual practice.

In dealing with Southern Rhodesia, London has refrained from using its power to veto legislation affecting African rights--its only means of influencing the colony's internal policies. In some cases, however, legislation has been submitted in advance and modified to preclude a veto. Prime Minister Whitehead for over a year has been demanding abolition of this reserve power, but London has refused on the ground that the substitutes suggested--such as a Senate with African members--are inadequate to protect African interests.

The ultimate sanction remains military: the native

police forces in Nyasaland, Northern Rhodesia, and the three East African territories are commanded by British officers and are all under the operational control of the respective British governors. Colonial troops of the British Army based in East Africa have been used to back up the police, and as a last resort London could use the white British troops now in Kenya as part of the strategic reserve or could airlift reinforcements from Britain.

Thus far, however, Britain has dealt out concessions rapidly enough so that nationalists have generally sought change through negotiation rather than through deliberate violence.

Sources of British Influence

The possibility of an increase or a curtailment of British aid is a factor of which the Africans are becoming increasingly aware and which might temporarily assuage excessive nationalist demands. Grant aid to dependent territories in Africa is expected to average over \$21,000,000 annually for the next four years. Additionally, London recently announced its intention to spend up to \$44,800,000 annually to help its

SELF-GOVERNMENT IN BRITISH EAST AND CENTRAL AFRICA

TERRITORY	HEAD OF GOVERNMENT	LEGISLATURE	POWERS		
			FOREIGN AFFAIRS	DEFENSE	INTERNAL SECURITY
Federation of Rhodesia and Nyasaland	Prime Minister.	Elected legislature, white-dominated.	As subordinate member, shared with the UK.	Full powers.	Responsibility of territories.
Southern Rhodesia	Prime Minister.	Elected legislature of whites only.			Full powers.
Northern Rhodesia	British governor. An African chief minister is under consideration.	Mostly elected legislature with a white majority. London is considering establishing an African majority.			Controlled by British governor.
Nyasaland	British governor.	An elected African majority was promised in July 1960.			Controlled by British governor.
Kenya	British governor. An African chief minister is under consideration.	Largely elected legislature, European majority. An African majority will result after elections in early 1961.	Under UK control.	Under UK control.	Controlled by British governor.
Tanganyika	Chief minister with British governor having veto power.	Elected legislature with African majority.	Under UK control.	Under UK control.	Controlled by British governor, elected minister partially responsible.
Uganda	British governor.	Partially elected legislature, overwhelmingly African. Elected representatives are in the minority at present, but new body to meet in 1961 will have elected majority.	Under UK control.	Under UK control.	Controlled by British governor.

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newly independent territories retain trained British civil servants. British private investment--which is already flowing out of Kenya because of the uncertain situation there--is considerable, amounting to an estimated \$900,000,000 in the Federation of Rhodesia alone.

In East Africa, Britain is now meeting the cost of the land forces--an annual expense of about \$5,600,000 which was formerly borne locally--in an apparent effort to compensate for not granting all the constitutional demands at the conference last February.

Personal diplomacy by Colonial Secretary Macleod has been the major factor over the past year in modifying African nationalist positions. Macleod's ability to gain the confidence of Africans and his sense of timing in making substantial concessions were largely responsible for the successful outcome of the Kenya and Nyasaland constitutional conferences of 1960.

Macleod apparently excels at convincing African leaders of his good intentions regarding rapid advances and at striking bargains at private negotiations. Kenya leader James Gichuru was invited to "dinner and drinks" at Macleod's home when in London for talks last fall and has subsequently moderated his opposition to Britain's retention of bases after Kenya attains independence.

Macleod can also take a firm stand in a way which earns respect rather than stubborn opposition. In the Kenya talks last February he reportedly proposed a revised constitution on a take-it-or-leave-it basis to the African delegation, which accepted Macleod's proposals despite the fact that they fell short of African demands.

Countervailing Factors

Many factors combine to limit the practical effectiveness of Britain's powers. World opinion militates against the use of force to retain control in the face of nationalist demands. The intensification of African aspirations for self-rule and greater communication among nationalist leaders have contributed to a sense of solidarity and support for each other's demands. Any concession to one produces a chain reaction for similar concessions in less prepared areas; in effect London is being forced to grant independence to its African territories within the next few years.

A major facet of British policy over the past year has been the effort to devise sufficient concessions to relatively moderate African leaders to retain these leaders in power. In Tanganyika and Kenya particularly, unless London makes timely

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concessions to the moderates who are now influential, these leaders will lose power to extremists within their parties. The same situation applies to a lesser extent in the Rhodesias.

A complicating factor is foreign financial support of certain leaders. In Kenya, Tom Mboya's position--and perhaps his somewhat truculent attitude toward the British--is reinforced by funds from private US sources. A rival nationalist, not to be outdone, recently acquired funds from Sino-Soviet sources.

At the moment, a special weakness in London's negotiating position is its desire to retain certain military facilities--a strongly emotional question with the Africans, who want to be rid of all signs of foreign domination. London did retain military use of airfields and their facilities in Nigeria and will do the same for naval facilities in Sierra Leone after independence in April. The boost to the economy provided by spending from bases and London's compensatory mutual defense and training offers weigh lightly, however, with African leaders at present. Hence Britain will probably have to offer special concessions in order to retain a base for elements of the strategic reserve in Kenya--a key element in Britain's current defense plans.

This is less of a problem in Uganda, where only air-staging facilities are required. British rights in the Rhodesias play little part in larger defense plans.

Britain's plans for an orderly transfer of power face a further difficulty from tribal animosities and interracial rivalries. These obstruct efforts to achieve economically viable states and require complicated constitutional safeguards to prevent minorities,

such as the Asian merchant class, from being oppressed. In Uganda, the determination of the traditional rulers of the province of Buganda to retain their autonomy and influence have thus far frustrated British efforts to proceed with granting greater self-government throughout Uganda.

The disproportionate economic and political influence of the white settlers, who comprise 4 percent of the population in the Federation of Rhodesia and one percent in Kenya, is intensified by personal ties with influential Britishers. Resentful of Britain's tendency in the last year to favor African aspirations, the white settler groups in control of the governments of both Southern Rhodesia and the Federation are becoming more insistent on provisions to maintain their position.

At the moment, Federal Prime Minister Welensky's chief concern is to retain the Federation's present structure in the face of adamant African demands for its dissolution. Britain apparently is attempting to persuade both whites and Africans to accept a loosening of the Federal structure. However, the British are well aware that if either community in the Federation is dissatisfied with the results of the conference, extremists hostile to other racial groups and to Britain are likely to be increasingly influential.

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Within Britain itself, the collapse of the Tory right wing has removed a brake on rapid African advance, as there are now few voices to insist on retention of empire as a matter of principle and on the denial

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of independence until an area is thoroughly prepared. At the Conservative party conference this fall, "Empire Loyalist" voices were silent for the first time. The Labor party's advocacy of faster advance for Africa has been overtaken by Macleod's willingness to reassess and make concessions and Macmillan's personal interest in African problems.

One indication of broad public sympathy in Britain for a policy of African advance is the fact that Welensky has felt obliged to initiate a propaganda campaign in Britain to set forth the white settler case.

Outlook

Admitting that its ability to influence former West African territories which have gained independence--such as Ghana and Nigeria--is minimal, London is apparently resigned to a rapid transition to a similar situation in East and Central Africa.

For the present, London has managed by adroit conciliatory diplomacy to avert the

threats both of African boycott and white refusal to admit African nationalist delegates and thus prevent the Federation of Rhodesia and Nyasaland constitutional conference from collapsing after the initial sessions. According to the American Embassy in London, "the British played the technique of the week end at Chequers to the hilt, and both (Commonwealth Relations Secretary) Sandys and Macleod obviously used bundles of carrots and sticks."

The main work, however, will not take place until the conference resumes after an extended Christmas recess. Southern Rhodesian constitutional talks will resume in Salisbury in mid-January, but Sandys--who will go there to act as chairman if progress seems to be evident--said on 21 December that a final agreement was still a long way off. Northern Rhodesian preliminary talks on 19 and 20 December will also be resumed locally in Lusaka in January. The British hope to prolong the various talks until some prospect of a compromise emerges.

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